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Alabama Supreme Court Overturns State's Largest Ever Punitive Damages Award in ExxonMobil Royalties Dispute

IRVING, Texas--(BUSINESS WIRE)--

The Alabama Supreme Court today overturned a \$3.5 billion punitive damages award against Exxon Mobil Corporation (NYSE:XOM), validating the company's assertion that the state had improperly turned a contract dispute into a fraud action. The award resulted from a lawsuit regarding payment of Mobile Bay project royalties to the state.

"This ruling indicates that the Alabama Supreme Court agrees with ExxonMobil's position that this case stems from a contract dispute over a poorly drafted lease agreement. It's a dangerous precedent for a state to be able to charge someone with fraud if you don't agree with its interpretation of a contract," said ExxonMobil General Counsel Charles Matthews.

In 2003, a jury found that ExxonMobil committed fraud in the calculation of royalties it paid the state on production from its Mobile Bay natural gas wells.

During oral arguments in February, ExxonMobil maintained that the evidence clearly showed that the state, for tactical reasons, had tried to turn a contract dispute into a fraud claim. In its appeal, the company wrote, "The jury and the trial court rewarded those tactics with a giant punitive damages award. But there was no evidence of fraud, and no basis for any punitive damages. The State could not prove and the evidence they submitted does not prove fraud. That's because there was no fraud."

Since production began at Mobile Bay, the company has paid to the state more than \$1 billion in royalty and lease payments. ExxonMobil's total capital investment in Alabama currently exceeds \$3 billion. The company employs more than 200 people and numerous contractors, and more than 300 retirees live in the state.

Since 1995, ExxonMobil has contributed about \$3.5 million to charitable, civic and educational organizations throughout Alabama. The U.S. Department of the Interior has honored ExxonMobil for excellence in mineral royalty and production reporting and compliance.

Source: Exxon Mobil Corporation